

**UNITED STATES MARINE CORPS**  
Financial Management School  
Marine Corps Combat Service Support Schools  
PSC Box 20041  
Camp Lejeune, North Carolina 28542-0041

AFC 0102  
DEC 1999

**AUDIT INDEBTEDNESS AND/OR WAIVER OF INDEBTEDNESS**

**TERMINAL LEARNING OBJECTIVES:**

Given a prepared notification and/or waiver of indebtedness, source documents, Marine's leave and earning statement, a calculator, and the references, audit notification and/or waiver of indebtedness for proper preparation prior to submission for certification in accordance with the DODFMR, Vol. 7A. (3432.02.25)

**ENABLING LEARNING OBJECTIVES:**

(1) Given a simulated situation pertaining to a Marine's indebtedness, a calculator, and the references, audit the indebtedness computations for correctness in accordance with the DODFMR Vol. 7A. (3432.02.25a)

(2) Given a simulated situation pertaining to a waiver of indebtedness, a calculator, and the references, audit the waiver request for correctness prior to submitting it for endorsement in accordance with the DODFMR Vol. 7A. (3432.02.25b)

**1. INDEBTEDNESS**

(DODFMR, Chapter 50, APSM, 0703 Part A)

**a. General Knowledge**

(1) Advance notification, before collection for routine adjustments to a Marine's pay, is not necessary. Routine adjustments correct an overpayment that results from clerical or administrative errors or delays in processing pay documents which are discovered and corrected in the next or a few pay periods, not over and extended period of time.

(2) Advance notification in writing is required for collection of debts when the debt is not administered under the delayed checkage process. The finance officer

will inform the Marine of the debt within five days after becoming aware of the indebtedness. No further collection procedures will be taken until the Marine has had at least 30 days to exercise their rights in the matter. Advance notification in writing is not required for collection of debts that are covered by the delayed checkage process. The LES informing the Marine of the indebtedness will serve as written notification of the indebtedness.

(3) The amount of indebtedness must be established and entered into the Marine's master military pay account (MMPA). The amount of indebtedness is established from reports of investigation, Navy/Marine Corps (NAVMC) forms, and other documentation, except for erroneous payments.

(4) Adjusting taxes for indebtedness depends on how the indebtedness was established. If it was a retroactive stop of a taxable pay entitlement, then the taxes are automatically adjusted when a retroactive stop or adjustment is processed. If Transaction Type Code (TTC) 559 is reported to recover the overpayment, use a tax code of "4" (nontaxable).

(5) One-time checkage of a taxable pay entitlement are processed manually or under the delayed checkage process. If the checkage is a manual checkage and a liquidation process, report the checkage using TTC 693 (misc. checkage) with a tax code of "4". Report TTC 559 with the appropriate tax code to allow the system to reduce the Marine's monthly taxable wages by the installment amount for tax purposes.

(6) If using the delayed checkage process to establish the liquidation schedule, use the appropriate tax code for the entitlement to allow the system to reduce the Marine's monthly taxable wages by the installment amount for tax purposes.

(7) The effective date of the indebtedness caused by overpayment of entitlements is the date the indebtedness was discovered.

b. Auditing indebtedness computations.

(1) Ensure all substantiating documents and appropriate Leave and Earning Statements (LES) and/or

Marine Corps Total Force System (MCTFS) TRS pages are included with the indebtedness computation.

(2) Ensure computation of indebtedness is for the specified time period and only includes the entitlements of the erroneous payments.

(3) If computation is correct, determine if the Marine needs to be notified or not. If so, was the notification letter prepared in accordance with the APSM?

(4) Was the correct checkage entry with the appropriate tax code submitted to check the entitlement?

(5) Upon completion of the audit, forward the appropriate documentation to the Marines Commanding Officer, and submit the checkage entry for diary input.

## 2. WAIVER OF INDEBTEDNESS

(DODFMR, Chapter 50, APSM, Chapter 10)

### a. General Knowledge

(1) Upon receipt the Finance Officer has 10 working days to process an application for waiver and remission of indebtedness.

(2) There are several different scenarios that must be addressed when dealing with waivers of taxable entitlements.

(a) If it is known at the time the taxable debt is established that the Marine is requesting a waiver, do not process the checkage under the delayed checkage process. The finance officer will report TTC's 693, 559, and 560 in subsequent cycles. The checkage will be reported using tax code 4. The liquidation schedule will be reported using the appropriate tax code and then suspended.

(b) If a checkage is processed by the finance officer or the commanding officer and the Marine then initiates waiver procedures, the finance officer must correct the Marine's pay account to insure that the wages year-to-date reflect that a waiver has been submitted.

(c) If a checkage was not processed under

the delayed checkage process, the finance officer must credit back the checkage using the appropriate tax code. Next the Finance Officer would check the entitlement, report TTC 559, and suspend the liquidation utilizing the appropriate tax code.

(d) If the checkage processed under the delayed checkage process, the finance officer must stop the delayed checkage by using TC 532 and then repeat the above steps in paragraph (c).

b. Audit waiver/remission of indebtedness applications.

(1) Ensure that the package contains a DD Form 2789 (WAIVER/REMISSION OF INDEBTEDNESS APPLICATION) and the NAVMC form 11082 (FINANCIAL STATEMENT-REMISSION OF INDEBTEDNESS).

(b) Package should contain the commanding officer's endorsement and the finance officer's endorsement. The finance office must justify in their endorsement if the process was delayed beyond the 10 working day period in paragraph 4.

(c) Ensure all appropriate entries are submitted for diary input.

(d) The endorsement must be signed by the primary finance officer and not a deputy. After the package is signed, file one complete copy of the application in the finance officer's files and do not remove until final action has been taken.

(e) Forward the original package to DFAS-DE/FYCT.

PRACTICAL APPLICATION:

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